



March 25, 2008

To: The Committee on Small Business of the United States House of Representatives

From: Mary Kay Woodworth, Executive Director, MALTA

Re: "The Impact of the 2006-2007 Drought on Georgia's Economy"

Georgia's urban agriculture industry represents one of the largest and most successful industries in Georgia, with more than \$8 billion in annual sales, 7,000 companies and more than 80,000 employees throughout the state. Urban agriculture is defined as all non-traditional agriculture, and is the second largest industry in the state of Georgia, second to poultry.

The industry includes retail garden centers, floriculturists, turf grass and sod growers, the nursery and horticulture industry, landscape architects, landscape installation and maintenance businesses, irrigation contractors, green wholesalers, florists and golf courses and their related businesses.

Georgia's Environmental Protection Division (EPD) Drought Management Plan uses outdoor watering restrictions as the sole solution to address the drought conditions that have impacted Georgia's exceptional drought. This action has had the effect of imposing severe restrictions on businesses that rely on water for their operation - and in this case, these severe conditions were primarily imposed on a single industry, landscaping and horticulture.

The EDP Drought Management Plan rules and local government's heightened restrictions were exacerbated by the U.S. Army Corps of Engineers' increased downstream releases from Lake Lanier in late summer, 2007. The increased releases resulted in Governor Perdue's mandate to water providers to release withdrawals by 10%. This mandate, along with EPD's Level 4 Drought Declaration on September 28, 2007, had an immediate and dramatic devastating impact on the industry.

Due to the State's actions and the additional whittling away at the exemptions by the local municipalities, there was little to no fall planting season in Georgia and the financial impact was immediately felt.

According to an industry survey dated February 2008, there have been more than 35,000 layoffs. Between June-December 2007 losses of over \$262 million per month

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are directly attributed to drought and the ensuing water restrictions - and at this rate an annual loss of \$3.15 billion loss is predicted. Several prominent businesses, including Pike Family Nursery, have filed for bankruptcy, been put to auction, closed temporarily or permanently or are reviewing their options. Most of this could have been avoided had the state developed a drought management plan that didn't place the entire burden of water conservation on outdoor watering.

Georgia's urban agriculture industry will continue to lose profits and employees if drought conditions remain over the state this year, according to a University of Georgia survey. "In an industry with a median income of \$800,000 per company, many companies won't be able to sustain losses of that magnitude," UGA's Dr. Ellen Bauske said. "We can expect more news of bankruptcies, business failures and liquidation of company assets if the situation continues."

Based on the survey, Bauske and her colleagues project devastating losses in the coming year. "A calculated loss of \$260 million per month can be contributed to the drought and water restrictions imposed on the industry," she said. "If the current drought conditions continue, the results could grow to an annual loss of \$3.15 billion and 30,000 additional employees."¹

Governor Perdue has stated that outdoor water use is "inconsequential" to the state's water picture. Dr. Carol Couch, EPD Director agrees: "We are not here because we consumed our way into this drought, as some would suggest."

- Watering bans are little more than an attempt by water authorities to divert attention from the failure to adequately plan for inevitable drought events. Droughts should never be a surprise to water planners. They are a natural element in environmental life cycles and should be factored into all water management plans. If water is managed properly, a "water crisis" should be extremely rare.
- Using water restrictions and conservation alone ignore the root of the problem - rather than address the problem with a comprehensive water use plan that tackles the issues of water supply and use. EPD and the authority that is given to local governments and utilities to ban outdoor water use create the impression that they are effectively dealing with the larger issue. For most water authorities, this is the most visible action they can take in the public eye to communicate a "water crisis."

¹ E. Bauske, W. Florkowski, G. Landry. 2008. Layoffs Increase and Losses Accelerate in Response to the Drought.
<http://apps.caes.uga.edu/urbanag/pubs/economicDroughtImpact.pdf>

- Finally, water authorities are not proposing or taking any other restrictive action on any other commercial, industrial, or residential use. This is evidence that these watering bans are little more than window dressing for water planning failures.

The urbanization and suburbanization of Georgia has been enormous, providing jobs, economic opportunities and stability for millions of Georgians, but it has also brought problems. Urbanization decreases water quality and increases water use. About one-half of the land cleared or disturbed for development is covered by impervious surfaces such as roads, roofs, and parking lots and is a contributor to the current water crisis. Urban agriculture has become the best method for addressing these problems.

Healthy and properly maintained landscapes are critical to water management and storage in an urban environment. Lawns, ground covers, vegetation and even hardscapes are crucial to managing ground water. Urban agriculture is one of the few industries in Georgia that mitigates the environmental impact of development and creates a sustainable quality of life for people, wildlife and natural systems.

When drought conditions persisted last spring, Georgians responded by conserving water. We were told that by saving water we would be saving money as well. Recent news articles in the Atlanta Journal Constitution report that local water authorities must now increase fees to make up for revenue lost from reductions in water sold to their customers during this drought period.

The drought has cost Georgians billions of dollars in economic loss and now water conservation measures will cost us millions more because local water “professionals” failed to plan ahead.

Only in a government business plan can you have a decline in revenues and maintain or grow your overhead while not going out of business. These locally run bureaucracies now insult the citizens of Georgia by raising their fees. While Georgia endures the drought, this is the unfathomable justification for local water providers that have had their wells of public trust run totally dry.

The urban agriculture industry is committed to being an active participant in helping Georgia through its current water crisis. We will continue to work with the state, municipalities and local water authorities as they search for solutions to developing problems. But we must insist that the state address the lack of water infrastructure, including water storage needs, so that it won't become necessary to address a future water crisis on the back of just one industry. We hope that we have your support in our mission.